



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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WENDY L. WATANABE
AUDITOR-CONTROLLER

January 21, 2014

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in blue ink, reading "Wendy L. Watanabe", is written over the printed name and title.

SUBJECT: **DREW CHILD DEVELOPMENT CORPORATION – A DEPARTMENT OF
PUBLIC SOCIAL SERVICES CALWORKS STAGE ONE CHILD CARE
SERVICES PROGRAM PROVIDER – CONTRACT COMPLIANCE
REVIEW**

We completed a program and fiscal review of Drew Child Development Corporation (Drew or Agency), which covered a sample of transactions from Fiscal Year (FY) 2012-13. The Department of Public Social Services (DPSS) contracts with Drew, a non-profit organization, to operate the CalWORKs Stage One Child Care Services (Stage One) Program, which helps families access immediate, quality, and affordable child care as they move through their Welfare-to-Work activities.

The purpose of our review was to determine whether Drew appropriately accounted for and spent Stage One Program funds to provide the services outlined in their County contract. We also evaluated the Agency's accounting records, internal controls, and compliance with their contract and other applicable guidelines.

DPSS paid Drew a fixed monthly fee of \$833, and a negotiated monthly rate of \$160 per participant to fund Program operating costs. The contract requires the Agency to return any unspent revenue to DPSS. In addition, once a participant chooses a child care provider, Drew develops a rate agreement, and pays the child care provider directly. DPSS reimburses Drew for these costs at the rates specified in the contract. The rates vary based on the needs of the participant. DPSS paid Drew approximately \$6.7 million

during FY 2012-13. Drew provides services to residents of the First and Second Supervisorial Districts.

Results of Review

Drew provided services to eligible participants, recorded and deposited DPSS payments timely, and Agency staff had the required qualifications. In addition, the Agency prepared its Cost Allocation Plan (Plan) in compliance with its County contract, and used the Plan to allocate shared costs appropriately. However, the Agency did not resolve outstanding items on their bank reconciliations timely. Specifically, we noted 78 checks totaling \$33,886 that had been outstanding for over six months. Subsequent to our review, Drew resolved 73 (94%) of the 78 outstanding checks totaling \$23,325.

Drew's attached response indicates that they are working to ensure payments are made by Electronic Fund Transfers to reduce the number of outstanding checks.

Details of our review, along with a recommendation for corrective action, are attached.

Review of Report

We discussed our report with Drew and DPSS in January 2014. Drew's attached response indicates agreement with our finding and recommendation. DPSS will work with Drew to ensure that our recommendation is implemented.

We thank Drew management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:AB:DC:AA:pn

Attachment

c: William T Fujioka, Chief Executive Officer
Sheryl L. Spiller, Director, Department of Public Social Services
James Hays, Board Chair, Drew
Michael Jackson, President and Chief Executive Officer, Drew
Public Information Office
Audit Committee

**DREW CHILD DEVELOPMENT CORPORATION
CALWORKS STAGE ONE CHILD CARE SERVICES PROGRAM
CONTRACT COMPLIANCE REVIEW
FISCAL YEAR 2012-13**

ELIGIBILITY

Objective

Determine whether Drew Child Development Corporation (Drew or Agency) provided services to individuals who met the CalWORKs Stage One Child Care Services (Stage One) Program eligibility requirements.

Verification

We reviewed the case files for 29 (5%) of the 604 participants who received services during January 2013 for documentation to confirm their eligibility for Stage One Program services.

Results

Drew had documentation to support all 29 participants' eligibility for Stage One Program services.

Recommendation

None.

PROGRAM SERVICES

Objective

Determine whether Drew provided the services required by their County contract and Stage One Program guidelines, and whether the Program participants and child care providers received the billed services.

Verification

We visited Drew's service site and reviewed the case files for 29 (5%) of the 604 participants who received services, and 29 (5%) of the 557 child care providers who provided child care during January 2013.

Results

Drew provided services in accordance with their County contract.

Recommendation

None.

STAFFING QUALIFICATIONS

Objective

Determine whether Drew's staff had the qualifications required by their County contract.

Verification

We reviewed the personnel files for six (32%) of the 19 Drew employees who worked on the Stage One Program.

Results

Drew's staff had the qualifications required by their County contract.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether Drew recorded revenue in their financial records properly, deposited cash receipts into their bank accounts timely, and that bank account reconciliations were reviewed and approved by Agency management.

Verification

We interviewed Drew's management, and reviewed their financial records and January 2013 bank reconciliations.

Results

Drew recorded revenue in their financial records properly, and deposited Department of Public Social Services (DPSS) payments into their bank account timely. However, the Agency did not resolve outstanding items on their bank reconciliations timely. Specifically, we noted 78 checks totaling \$33,886 that had been outstanding for over six months. Subsequent to our review, Drew resolved 73 (94%) of the 78 outstanding checks totaling \$23,325.

Recommendation

1. Drew Child Development Corporation management resolve outstanding checks in a timely manner.

EXPENDITURES**Objective**

Determine whether expenditures charged to the Stage One Program were allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed Drew's personnel, and reviewed financial records for 23 non-payroll expenditures, totaling \$72,607, that the Agency charged to the Stage One Program from August 2012 through February 2013.

Results

Drew's expenditures were allowable, properly documented, and accurately billed.

Recommendation

None.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether Drew's fixed assets and equipment purchased with Stage One funds were used for the Program, and were adequately safeguarded.

Verification

We interviewed Agency personnel, and reviewed the Agency's fixed assets and equipment inventory list. We also performed a physical inventory of ten items purchased with Stage One funds to verify the items exist and were being used as required.

Results

The items purchased with Stage One funds were used for the Program, and were adequately safeguarded.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether Drew charged payroll costs to the Stage One Program appropriately, and maintained personnel files as required.

Verification

We traced the payroll costs for six employees, totaling \$8,491, for January 2013 to the Agency's payroll records and time reports. We also interviewed staff, and reviewed personnel files for six Drew Stage One Program staff.

Results

Drew appropriately charged payroll costs to the Stage One Program, and maintained personnel files as required.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether Drew prepared their Cost Allocation Plan (Plan) in compliance with their County contract, and used the Plan to allocate shared costs appropriately.

Verification

We reviewed Drew's Plan, and a sample of expenditures from August 2012 through February 2013.

Results

Drew prepared their Plan in compliance with their County contract, and the Agency allocated their shared costs appropriately.

Recommendation

None.

CLOSE-OUT REVIEW

Objective

Determine whether Drew had any unspent revenue for the Stage One Program for Fiscal Year (FY) 2012-13.

Verification

We traced the total revenues and expenditures from Drew's FY 2012-13 close-out report to the Agency's accounting records, and to DPSS' payment records.

Results

Drew did not have any unspent revenue during FY 2012-13.

Recommendation

None.



Drew Child
Development
Corporation

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January 10, 2014

Wendy Watanabe, Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 South Figueroa Street, 8th Floor
Los Angeles, CA 90071

Dear Ms. Watanabe:

This letter is in reference to our management response, please let me know if you have any questions.

Contract Review Response

We have reviewed the report issued by the County of Los Angeles Department of Auditor-Controller and has agreed to with the finding and recommendation noted. The following is management response and corrective action to such finding.

Management Response and Corrective Action Plan

Management has made greater efforts to ensure that provider payments are done in the form of an Electronic Funds Transfer (EFT), this will reduce the amount of outstanding and loss checks. In addition, the accounting department has implemented additional internal controls to evaluate outstanding checks greater than sixty (60) days and to reissue checks with any discrepancies.

Sincerely,

Mike Jackson, Ph.D.
President and CEO